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NATIONAL SECURITY COUNCIL

Outside the System

~~SECRET/SENSITIVE/EYES ONLY~~

ACTION

May 9, 1974

MEMORANDUM FOR GENERAL SCOWCROFT

FROM:

A. Denis Clift *DC*

SUBJECT:

Message to Secretary Kissinger on Proposed
Presidential Letter to Casey Supporting EXIM
Financing of USSR Fertilizer Deal

CIEP has asked for Secretary Kissinger's approval of the proposal that the President write EXIM President Casey to express his support for the USSR fertilizer deal (copy of CIEP package at Tab B).

The back channel message for your approval to Secretary Kissinger at Tab A would forward the text of the letter, review the pros and cons, and recommend that the Secretary approve the letter.

Charles A. Cooper concurs.

RECOMMENDATION

That you approve the message at Tab A.

APPROVE *BO*

DISAPPROVE _____

*Sent as changed
5/9/74*

NSS Review Completed.

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May 9, 1974



TO: Secretary Kissinger
FROM: Brent Scowcroft *BS*
SUBJECT: Proposed Presidential Letter to Casey on USSR Fertilizer Deal

1. We have been asked to concur in CIEP proposal to President that he send a letter to EXIM Bank President Casey expressing his support for EXIM financing of USSR fertilizer deal. Text of proposed letter is as follows:

QUOTE Dear Mr. Casey:

Peter Flanigan brought to my attention that portion of your testimony before the Subcommittee on International Trade of the House Banking and Currency Committee which deals with the Export-Import Bank's commitment to finance the sale of American products which would be incorporated into a large fertilizer complex in the Soviet Union.

Your testimony indicates that a \$180 million loan from the Bank will result in the sale of \$400 million worth of American exports for this complex, and will trigger the investment of substantial funds and the creation of jobs in shipbuilding and phosphate development in Florida.

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You also indicate that as a result of this transaction two nitrogen fertilizers (ammonia and urea) which are scarce in our country will be acquired without a cash drain on our balance of payments, in exchange for superphosphoric acid, a fertilizer which we have in abundance and which would be produced in Florida and shipped to the Soviet Union. The nitrogen fertilizers coming to this country would be made with Soviet natural gas, thus reducing the drain on our own natural gas reserves.

I believe that this transaction, resulting not only in trade and balance of payments benefits for us but also contributing to our own fertilizer and energy needs as well as to world food needs, makes exactly the kind of contribution to the national interest which I envisioned when I made the Determination, on October 18, 1972, that it is in the National interest for Eximbank to finance U.S. exports to the Soviet Union.

Sincerely,
Richard Nixon UNQUOTE

2. As you will recall, some weeks ago EXIM was hesitant to move ahead with the fertilizer deal in light of Congressional opposition to credits for the USSR for fear that this transaction might jeopardize Congressional action on the EXIM authorization bill. However, ~~recently~~, Casey has *recently* changed his position and now favors moving ahead with the transaction

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in the belief that it is economically sound and ~~in the US economic interests.~~ *would not jeopardize the*
EXIM legislation.
~~He has so testified before the House Subcommittee on International Trade.~~

3. Senator Stevenson has suggested that a Presidential letter to Casey supporting the fertilizer project and emphasizing its economic benefits for the United States might create a better understanding in the Congress.

4. I believe the following considerations are relevant:

PRO

-- The Presidential letter would be in keeping with Administration support for increasing, mutually beneficial US-USSR trade.

-- The fertilizer deal, which involves a \$180 million credit would be the first major deal (excepting Kama River) with the USSR since the 1972 Trade Agreement. Presidential support for the transaction will put him on solid ground in his economic talks at the Moscow summit even if the MFN issue remains unresolved.

-- It is desirable for the Administration to take action prior to the late May meeting of the US-USSR Joint Commercial Commission so that such action will not appear to result from Soviet pressure during the Commission meeting.

-- There is every indication that the fertilizer deal is in the United States' economic interests.

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SECRET/SENSITIVE/EYES ONLYCON

-- Considering the USSR credit climate in the Congress it is questionable whether the President should involve himself personally in the tactical maneuvering on the fertilizer deal, particularly if the benefits for the United States should turn out to be less than expected.

-- The economic issues aside, the President may be opened to fresh charges from the anti-detenters and those who are urging postponement of the Moscow summit that he is pushing ahead with moves with the summit in mind merely to please the Soviets, moves

that may not be in the ^{US} United States' best interests.

In view of the changed assessment of the impact on the EXIM bill
5. ^{On balance}, I recommend going ahead with the Presidential

letter to Casey. The time factor is very tight; EXIM's preliminary credit will expire on May 14. If you agree, I will advise the President that you approve going ahead with the letter to Casey.

APPROVE _____

DISAPPROVE _____

SECRET/SENSITIVE/EYES ONLY

MEMORANDUM FOR: THE PRESIDENT

FROM: DEANE R. HINTON, ACTING EXEC. DIRECTOR

SUBJECT: Approval of Eximbank Credit for the
Soviet Fertilizer Project

I believe it is important to move now on approval of the Export-Import Bank credit for the large chemical fertilizer project with the Soviet Union. I understand you recently expressed your interest in moving ahead with this project to Secretary Dent, who also believes that we should take action now. The time factor is becoming increasingly important, since the Eximbank's preliminary commitment for the \$180 million credit will expire on May 14.

As you know, we face a potential problem on this matter with the Congress, which has expressed considerable opposition to the extension of further Eximbank credits to the USSR. Most of this opposition, however, has been in connection with projects for the development of Soviet energy resources, such as Siberian natural gas. The fertilizer project, on the other hand, is clearly in our national economic interest for reasons of trade and balance of payments, employment, and meeting our fertilizer and energy needs. To help create a better understanding in the Congress of the economic benefits of the fertilizer project, Senator Stevenson has suggested that you express your support for it in a letter to Eximbank Chairman Casey, emphasizing the project's economic advantages and contribution to the national interest.

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A letter from you to Chairman Casey is attached for your signature at Tab A. Mr. Casey's recent testimony before the Subcommittee on International Trade of the House Banking and Currency Committee, in which he points out the economic benefits of the fertilizer project (indicated at page 29), is attached at Tab B.

Attachments:
As stated

THE WHITE HOUSE

WASHINGTON

The Honorable William J. Casey
Chairman
Export-Import Bank of the United States
811 Vermont Avenue, N. W.
Washington, D. C.

Dear Mr. Casey:

Peter Flanigan brought to my attention that portion of your testimony before the Subcommittee on International Trade of the House Banking and Currency Committee which deals with the Export-Import Bank's commitment to finance the sale of American products which would be incorporated into a large fertilizer complex in the Soviet Union.

Your testimony indicates that a \$180 million loan from the Bank will result in the sale of \$400 million worth of American exports for this complex, and will trigger the investment of substantial funds and the creation of jobs in shipbuilding and phosphate development in Florida.

You also indicate that as a result of this transaction two nitrogen fertilizers (ammonia and urea) which are scarce in our country will be acquired without a cash drain on our balance of payments, in exchange for super-phosphoric acid, a fertilizer which we have in abundance and which would be produced in Florida and shipped to the Soviet Union. The nitrogen fertilizers coming to this country would be made with Soviet natural gas, thus reducing the drain on our own natural gas reserves.

I believe that this transaction, resulting not only in trade and balance of payments benefits for us but also contributing to our own fertilizer and energy needs as well as to world food needs, makes exactly the kind of contribution to the national interest which I envisioned when I made the Determination, on October 18, 1972, that it is in the National interest for Eximbank to finance U.S. exports to the Soviet Union.

Sincerely,